

MSC BRIEFING

15 May 1956

CURRENT JAPANESE TRENDS

1. Japan is in a period of political transition both at home and abroad. It is trying to form a foreign policy which will balance Japan's close ties with the United States against expanded relations with the Communist bloc. This drive stems from a rebirth of nationalism. This nationalism is primarily a desire aimed at pursuing policies which the Japanese believe to be in their interests and not necessarily in the interests of the US. While their basic policy calls for continuing cooperation with the US, they want to remove American "dominance" over Japan.

2. On the domestic political scene, the merger of the two major conservative parties to form the Liberal-Democratic party last November has provided an opportunity for effective government. This is impeded, however, by continuing factionalism [redacted]

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3. Hatoyama [redacted] will not be prime minister much longer. Shinsuke Kishi, the party's secretary general and a leading contender to succeed Hatoyama, believes the party's position will be consolidated by next fall at which time the conservatives will be ready to go ahead "powerfully" under firm leadership to implement their program. But he may be too optimistic.

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4. Factionalism centers on the succession problem. It colors official positions on all issues; an example being the division within the government on policy toward the USSR. One potential successor group favors a soft policy, the other a firm stand. Influential politicians give the impression [redacted] that the dilemma is

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simply beyond their power to solve. There is an additional feeling that "destiny" [redacted] will bring about a solution. In any case, Japan's future international orientation largely depends on the outcome of this struggle.

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5. Japan is enjoying a minor boom economically, due primarily to a favorable world export market and a mild deflationary policy at home. Prices are stabilized, production double the normal prewar years. The Japanese could probably get along under present world trade conditions without special American expenditures, if they are willing to tighten their belts.

6. The substantial rise in Japan's foreign trade during the last two years has made Japan less dependent on the United States economically and therefore under less pressure to accept American Far Eastern policies. A rising population will increase ^{import} ~~export~~ requirements, but these can be partly offset by increased productivity and changes in Japanese food habits. It is believed that Japan's foreign trade will, over the next few years at least continue to rise sufficiently to meet growing import requirements and possibly exceed them. Some leading ^{Japanese} economists ~~believe that the belief of Japan's dependence on American aid is erroneous.~~ ^{feel it is erroneous to assume that Japan is still dependent} The feeling of nationalism is also strongly reflected in regard to foreign investments, and the government's policy on foreign capital has become increasingly severe. Unlike American economic thinking, the Japanese do not think in terms of an expanding economy, hence they regard foreign investment as merely cutting the pie a little thinner.

[redacted]

7. Two potentially serious irritants to US-Japanese relations are the movement in the United States to restrict imports of Japanese textiles and the implied boycott against Japanese goods embodied in recent South Carolina and Alabama legislation. They point out bitterly that their textile sales to the United States last year amounted to only about 1 percent of American domestic production and that overall they buy twice as much from the United States as they sell. They believe the South Carolina and Alabama legislation a violation of the US-Japan FCN treaty.

8. The rebuff of Japan's bid for membership in the United Nations was a bitter blow to Japanese pride. Japanese reaction soon exposed a strong undercurrent of official and private opinion critical of "over-dependence" on the United States. Some Japanese advocated "going to Moscow" to achieve Japan's desires, since the United States had failed to deliver. The Japanese are also more sensitive toward US nuclear activities than toward those of the USSR. [redacted]

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Regarding Communist China, the

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Japanese feel we are frustrating their desire for normal trade relations with the mainland. They feel that the CHINCOM restrictions are not only too severe, but that the differential between the restrictions on the Soviet bloc and China places Japan at an unfair disadvantage vis-a-vis the Western European nations ^{whose exports to} ~~who can transship~~ Eastern European nations can be transshipped to China. ~~banned material to China via Eastern European nations.~~

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9. The Japanese are moving to improve their position in China trade and strengthen economic ties with the mainland without unduly irritating the United States. They plan to exhibit embargoed goods at trade fairs in Communist China this summer and fall; they plan to carry on trade through the increased use of exceptions, and to press for a reduction of the Chicom controls. They have indicated they will support the American position in CHINCOM-COCOM in return for certain concessions in the form of reduced controls.

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10. The Japanese have indicated they feel a policy seeking to isolate Communist China is wrong, since it serves only to drive Peiping and Moscow closer together. They say that the fact that China has made economic progress despite this isolation proves that the policy has not been effective. They believe that the only way to drive a wedge between Communist China and the USSR is to broaden China's contacts with the West, particularly through trade.

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13. Actually, the Japanese government, while ostensibly attempting to restrain the popular trend for relations with the Communist Chinese, has apparently encouraged unofficial contacts with Peiping and permitted the conclusion of private trade and fishery pacts and a postal arrangement now appears imminent. In addition there has been a growing stream of Japanese visitors to the Communist bloc countries including Diet missions, trade delegations, cultural and labor missions. Japan led in the number of visitors to China this last year--over 847 according to the Peiping "Peoples Daily." In turn, an increasing number of Chinese have come to Japan, ~~a top visitor being Kuo Mo-jo.~~

14. The complementary Chinese Communist effort is based on the belief that Japan is a key nation in East Asia and they are endeavoring to push the Japanese toward a neutralist position. Peiping's first objective has been to weaken ties between Tokyo and Washington and prevent inclusion of Japan in any Far East security organization. The Communists have repeatedly stated they are eager for government-to-government relations with the Japanese but have thus far avoided placing heavy pressure on Tokyo for diplomatic recognition. A combination of Soviet pressure on fishing activity in waters north of Japan and the negotiations of a non-professional diplomat, Minister of Agriculture and Forestry Kono at Moscow appear to have advanced Tokyo well on the way toward the restoration of diplomatic relations with the USSR. Kono, who with Hatoyama favors a soft line toward the USSR, informed Ambassador Allison prior to his departure for Moscow that the Japanese

cabinet, other than the foreign minister, did not understand the Russians. He said he intended to explore Soviet thinking on Japan so he could present the real facts to his colleagues.

15. Kono appears to have approached his mission with the utmost amiability toward the Soviet terms. He was highly flattered as the result of being the first Japanese to enter the inner fastness of the Kremlin to see Bulganin. In an interview broadcast to Japan from Moscow, Kono stated he had revised his approach to the fishery problem because of "the very understanding attitude of the Soviet side." At Moscow this week, Kono signed the long-term fishery and sea rescue pacts which depend on the restoration of normal relations and the resumption of suspended peace treaty discussions resume no later than 31 July. Foreign Minister Shigemitsu, following signature of the pacts, stated that his government must decide on the formula for restoring relations with the USSR. Bulganin last week told Kono that this might be done either through a peace treaty or by merely exchanging diplomatic representation. Tokyo will probably now begin to prepare the Japanese public for the ultimate establishment of ties with Moscow on rather unfavorable terms.

16. The fact that the Japanese and Soviets were able to resolve a mutual fishery problem on the basis of conservation may further irritate Japan's long standing dispute with South Korea over the Rhee line which excludes Japanese fishing activity on international waters adjacent to Korea. The Japanese have resented American advice to protest Soviet and Chinese Communist seizures of their fishing boats while they receive no assistance in stopping similar South Korean acts.

17. Growing nationalism is prompting Japan toward an increasingly assertive attitude toward the United States and steps to diminish what the Japanese consider an excessive American orientation are underway. Concurrently, Japan is moving toward expanded relations with the Communist bloc and attempting to strengthen the nation's international stature by developing closer ties with the Afro-Asian nations. Japan desires to remain a part of the free world but wants a more important place; the Japanese strongly feel their adherence to American policies cannot be taken for granted and that they must participate in and be convinced that policies for the Far East benefit their interests. While Japan is moving toward a position of neutralism, it is felt it will stop short before adopting the policies of India, Burma and Indonesia.

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